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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Note by the Secretary-General

Financing an effective United Nations

1. The Secretary-General has the honour to transmit to the General Assembly for its consideration at its forty-eighth session the report entitled "Financing an Effective United Nations" prepared by the Independent Advisory Group on United Nations Financing, sponsored by the Ford Foundation, under the co-chairmanship of Mr. Shijuro Ogata and Mr. Paul Volcker.

2. The Secretary-General welcomes the strong emphasis placed by the report on the need for improved financing procedures and practices in the United Nations, and the establishment of a secure financial base for the Organization. The report sets out with great clarity the reasons for the financial crisis confronting the United Nations and highlights the contrast between the demands placed on the United Nations and the precariousness of its financial base.

3. The report contains many valuable recommendations concerning United Nations financing which merit careful and thorough review by the General Assembly with a view to strengthening the capacity of the United Nations to serve the international community.

ANNEX

Financing an effective United Nations

A Report of the Independent Advisory Group on United Nations Financing

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PREFACE

In response to growing concerns about the financial problems faced by the United Nations, the Ford Foundation, in consultation with the office of the United Nations Secretary-General, convened an independent and international advisory group on United Nations financing on 15 September 1992. This initiative is part of an ongoing Ford Foundation effort to enhance the effectiveness of the United Nations, in recognition of its importance to peace and security in the world.

The Advisory Group met three times between September 1992 and January 1993. Its conclusions and recommendations are described in this report.

The Group was charged to examine the problems associated with financing the United Nations and its affiliated programmes. Its report covers those core United Nations activities which are under the authority of the General Assembly, including peace-keeping, as well as affiliated programmes such as the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), which are coordinated by the Economic and Social Council and have executive heads appointed by the Secretary-General. The Group did not examine the larger issue of financing the United Nations system as a whole - a system that includes a number of specialized agencies with autonomous funding mechanisms, such as the World Health Organization and the Food and Agriculture Organization of the United Nations, and the Bretton Woods institutions. (See figure 1.)

The United Nations is a far-flung institution with multiple centres of decision-making. It is now taking action to reorganize its structure and to enhance coordination between its programmes. Though the Advisory Group limited itself to questions of financing, any attempts to increase financial support for the United Nations will inevitably, over time, be dependent on the success of efforts now under way to improve the ways in which the United Nations is managed and organized.

I. INTRODUCTION

1. The world the United Nations was created to serve is entering a period of uncertainty, but also of great opportunity - a moment that resembles in many respects the brief and fleeting interval of hope which followed the Second World War. The end of World War II allowed the United Nations experiment to begin. Today, almost 50 years later, the end of the cold war has at last made it possible for the United Nations to begin to function as the guardian of international peace and security its founders intended it to be.

2. In the confusing and often violent transition from a bipolar world to a still uncharted future, there is a steadily growing demand for United Nations services, often in new and untested fields of activity. As these demands increase, the United Nations must secure the means to pay for its obligations, old and new. As Secretary-General Boutros-Ghali put it in his report entitled "An Agenda for Peace": "Our vision cannot really extend to the prospect opening before us as long as our financing remains myopic". 1/

3. Indeed, the examination of United Nations financing is important precisely because it is part of a broader debate - a debate about how to build a lawful and just world order while the opportunity to do so still exists. Only with foresight, and a willingness on the part of Governments to face up to their responsibilities and commitments, can the United Nations become the organization that our times demand.

4. The United Nations was created as a forum for the mediation of international disputes, to promote peace, human rights, and social and economic progress. As such, it was vested with a set of structures and institutions organized for discussion and diplomacy. Today, the Organization is being called upon to play an increasingly operational role - in peacemaking and peace-keeping, in advancing human rights and democratic governance, in promoting sustainable development, and in providing humanitarian assistance.

5. While the regular budget of the United Nations has remained stable in recent years, its budget for operational activities has steadily increased. The Organization's financial system, however, does not yet provide the capacity or the flexibility to respond effectively and expeditiously to the many challenges that now confront it. The result is to jeopardize the very purposes that the world community asks the United Nations to serve.

6. It surely is not beyond the capacity of Member States to repair that situation. The size of the United Nations budget, about $5.2 billion in 1992, 2/ pales by comparison with national defence costs or transactions in the private sector. The startling fact is that the sum of United Nations regular budget and peace-keeping costs for 1992, an especially active year, was less than the cost of two Stealth bombers, or the combined cost of operating New York City's Fire and Police departments for one year. Unlike most of the world's armies, the United Nations blue helmets are now engaged in nearly all of the world's most dangerous places. Yet, on average, the nations of the world invest only $1.40 in peace-keeping for every $1,000 they devote to their own armed forces. (See table 3.)

7. At $1.4 billion, the 1992 budget for peace-keeping surpasses the United Nations regular budget. Peace-keeping costs have grown for two main reasons: first, because Governments now turn to the United Nations to settle nearly every regional conflict; second, because the Organization deploys peace-keepers for increasingly diverse ends. In Namibia, the most successful recent mission of the United Nations, peace-keeping involved the supervision of a nation's passage to statehood and democracy. In El Salvador, the United Nations is engaged in supervising complex arrangements, including the monitoring of human rights, designed to bring that country from civil war to peace. In Cambodia, the task of the United Nations involves de facto temporary trusteeship over a country recovering from war and genocide. In Mozambique, the United Nations will again be concerned with the transition from civil war to national reunification and conciliation.

8. The United Nations response to humanitarian emergencies is also increasingly in demand. In 1992, for example, the United Nations launched a billion dollar effort to alleviate the effects of drought in southern Africa by a combination of humanitarian relief and economic development. The programme has reduced the threat of famine and improved prospects for conflict resolution throughout the region. It has shown that disasters can be averted in even the most desperate places when the United Nations is enabled to respond before it is too late.

9. Many more problems remain to be faced. UNICEF spent $900 million in 127 countries in 1992, but despite its undoubted successes millions of children continue to lack food and basic health care. And while international institutions have done much to eradicate disease, world-wide scourges such as AIDS and malaria still require concerted action from a number of United Nations agencies.

10. Looking further ahead, the immense challenge of sustainable development, explored at the Rio summit conference in June 1992, may well lead to large demands on the United Nations in the future. According to the first, and most ambitious, estimates, the cost of implementing the summit's recommendations could approach $125 billion a year. We have not attempted to assess the reasonableness of this projection, nor the appropriate method of financing it. No doubt, such an extraordinary enterprise would have to be financed in new ways and from a variety of sources.

11. Our attention has been directed towards the much less costly, but even more pressing, demands being placed on the United Nations today. It should be stressed that these are tasks that only a world organization such as the United Nations can undertake. Faced with a set of crises and emergencies that they could not handle alone, Member States have directed the United Nations to take on new responsibilities. The United Nations can execute their instructions only as well as its human and financial resources permit.

12. In the short term, the United Nations cannot be effective, and will only invite criticism, if it is forced to spread insufficient resources thinly across multiple missions around the world. In the longer term, the success of the United Nations efforts - whether in arms control, development, the alleviation of poverty, or human rights - will depend on its ability to establish the basis for a reasonable degree of international law and order. Particularly in its

pioneering peace-keeping operations, the Organization is working towards this goal. It cannot, however, hope to reach it without a level and system of financing that provides for the necessary infrastructure and preparedness for urgent action in an emergency. At present this system of financing does not exist.

13. Proper financing will not, by itself, be enough. Although the United Nations cannot be managed effectively on a base of an uncertain and inadequate flow of funds, support for improved financing will be dependent upon a perception that funds are economically managed and effectively spent. The expansion of United Nations activity and a more positive attitude about the Organization on the part of both Governments and the general public must be accompanied by a steady improvement in its administrative and operational performance. The future credibility of the United Nations will depend in large measure on the effectiveness of its management, on the quality of its staff, and on improvements in its structure and administration.

14. Improving the management and performance of the United Nations is as much a responsibility of its Member States as it is a responsibility of its Secretariat. Governments will have to exercise self-restraint to curb the multiplication of intergovernmental bodies. Member Governments must agree on ways to improve the decision-making process within the Organization. They must also ensure that the work of the United Nations system is governed by coherent priorities so that its limited resources are not frittered away.

15. The Advisory Group recognizes the relevance of these management issues. We welcome the initiatives now being taken by the Secretary-General to streamline the administrative structure and procedure of the United Nations. We remain, none the less, concerned that the growing demands on the United Nations might make it more difficult to manage the Organization effectively, and hamper the efforts of the Secretary-General to coordinate its disparate programmes and agencies. A detailed examination of these questions, however, would have exceeded the scope of our mandate.

16. The Advisory Group will suggest in this report several ways in which the financial arrangements of the United Nations might be improved. We have based our work on a few simple general assumptions:

First, the United Nations is an organization of sovereign States dedicated to the achievement of certain principles and objectives. Its 180 Member States have a collective responsibility for the performance and well-being of the Organization, a responsibility based on a treaty obligation entered into by each Member State when it ratified the United Nations Charter. Ultimately, any improvements in its financing, administration or performance will depend upon the willingness of Governments to approve constructive proposals and, once approved, to back them financially.

Second, the Governments that make up the United Nations are, and must be, mainly responsible for its financing. If all Governments paid their assessed contributions in full and on time there would be no serious United Nations financial problem, at least at its present level of operations.

Late payments, and failures to pay, gravely debilitate an organization that is not permitted to go into debt, especially when a proliferation of emergency peace-keeping operations is putting new strains on the old budgeting system.

Third, the current system of United Nations financing not only imposes an unnecessary burden on the Secretary-General and his colleagues, but more importantly fails to provide the necessary underpinning for reliable and effective operations. Delinquent payments by Member States have led to:

Irregular cash flow;

Depleted reserves;

Great uncertainty about the extent to which the United Nations can respond effectively to legitimate and important demands;

Difficulty in funding the start-up phase of new operations.

17. The central argument of this report is that the United Nations must be assured of the timely availability of funds to meet the obligations placed on it by Member States. Governments should, of course, set careful priorities as they chart a new future for the United Nations, and insist that the Organization be effectively managed. But they must also, in the final analysis, provide it with the financial capacity to do what they ask it to do.

II. FUNDING THE UNITED NATIONS

18. United Nations expenditures are divided into three categories, each of which is financed in a different way. The basic functions of the United Nations are included in the Organization's regular budget, which is financed by mandatory assessed contributions from Member States. The United Nations peace-keeping operations are largely financed by separate mandatory assessments. And most of the United Nations humanitarian relief and development agencies are financed by additional, voluntary contributions from Member States.

The division of United Nations expenditures into three categories - with the regular budget financed by assessed contributions, peace-keeping financed by a separate assessment, and humanitarian and development activities financed largely by voluntary contributions - is appropriate.

This system ensures that all Member States share equitably in the burden of supporting core United Nations activities, while providing them with some opportunities to pursue their individual priorities. Each category will thus be treated separately in this report.

A. Regular budget

Background

19. The United Nations regular budget includes the expenses of its main decision-making bodies: the General Assembly and the Security Council, the Economic and Social Council, the International Court of Justice and the Secretariat. Its largest portions are dedicated to the administrative expenses of the United Nations. These include staff costs, and conference and translation services - all the activities that allow the United Nations to function as an international meeting place. The regular budget also pays for the administration and management of a number of development and humanitarian relief agencies, including the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Environment Programme (UNEP) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). The operational budgets of these agencies are funded by voluntary contributions. In all, the regular budget stood at $1.18 billion in 1992. 3/ (See table 1.)

20. The regular budget is approved by the General Assembly for two years. The Organization is now entering the second year of its 1992-1993 budgetary biennium. For the past few years the General Assembly and its Fifth Committee have approved the budget by consensus. Because consensus is required, a majority of countries cannot force a particular spending plan through the General Assembly if even a few Member States strongly object. Consensus budgeting was designed to give an appropriate level of influence in financial matters to the small number of Member States that contribute the largest part of the United Nations budget 4/ - influence they have exerted to prevent the regular budget from growing faster than inflation. The Advisory Group believes that consensus budgeting is essential to maintain large contributors' confidence in the United Nations. It therefore recommends that:

> The consensus procedure for approving the budget should be continued in future years.

21. The regular budget is financed according to the provisions of the United Nations Charter, which states (in Article 17): "The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly". Member States are billed on 1 January of each year according to a scale of assessments drawn up by the United Nations Committee on Contributions and approved by the General Assembly. Under the current Financial Regulations, assessments must be paid in full 30 days after letters of assessment go to Governments, or by 31 January.

22. The assessment formula itself is extremely complicated. It is based on a 10-year average of Member States' gross domestic product (GDP), and adjusted for countries with low per capita income and high levels of external debt. A "scheme of limits" is also in place to prevent any Member State's rate of assessment from rising or falling too fast from one biennium to the next. The formula yields, for each country, a rate of assessment that equals some percentage of the regular United Nations budget.

The shortfall in contributions

23. The international community's increasing reliance on the United Nations has accentuated the financial difficulties that have plagued the Organization almost since its inception. Although payment of dues is a treaty obligation under the United Nations Charter, only a few Members have consistently paid on time and in full. In 1993, for example, only 18 countries, which together provided 16 per cent of the United Nations budget, paid in full by the 31 January deadline.

24. Some large contributors have trouble paying in January because their domestic budgetary cycles do not correspond to that of the United Nations. The United States, for example, has fallen into the practice of not paying its calendar year United Nations dues, which finance a quarter of the regular United Nations budget, until the beginning of its next fiscal year in October. This is a full eight months after the scheduled payment date. Similarly, Japan does not make its contribution until it is approved by its Diet in June.

25. During the last two years most Governments, and almost all of the largest contributors, have paid their assessed dues in full, at least by the end of the year. In 1992, for example, Member States paid the United Nations $976 million of the $1.04 billion they owed for the regular budget. As of 31 December 1992, however, Governments still owed the United Nations $500 million in past arrears - mostly in unpaid dues from prior years. This figure is equal to 42 per cent of its regular budget for 1992. 5/

26. The United States still owes $240 million in past arrears to the regular budget. Since 1990, the United States has been paying its dues almost in full, 6/ and gradually paying its arrears in annual instalments of about $40 million. At their height, United States arrears represented about 80 per cent of the United Nations internal indebtedness. Today, they account for less than 50 per cent.

27. At the end of 1992, 87 other States were in arrears to the regular budget. Of these, 52 owed more than their full assessment for the year. Since the middle of 1991, the Russian Federation, Ukraine and Belarus, which together are supposed to provide 11 per cent of the United Nations regular budget, have paid only a small portion of their regular budget dues (and, in 1992, none of their peace-keeping dues). Brazil, Iran (Islamic Republic of), Israel and Turkey also owe substantial arrears.

28. In the past, the United Nations was able to finance its cash shortfall by drawing funds from its existing reserves. But the reserves, which consist of a $100 million Working Capital Fund and a $137 million Special Account, have been exhausted since the middle of 1991. In addition, the General Assembly has on several occasions, suspended regulations that require the United Nations to return budgetary surpluses to Member States at the end of each biennium. The $214 million that the United Nations has retained this way, however, must eventually be returned to Member States. 7/

29. Because the United Nations can no longer draw on reserves, late payments have caused recurrent cash flow problems for its regular budget. During months when expenditures exceed available cash the Organization has been forced to

borrow funds from its peace-keeping accounts to meet its regular operating costs. Though not explicitly forbidden by the Financial Regulations of the United Nations, this is surely a bad management practice. It may also prove untenable in the next few years: because of the large increases in its peace-keeping expenditures, whatever cash the United Nations might have in its long-standing peace-keeping accounts will be needed to support costly new missions like those in Cambodia, Somalia and the former Yugoslavia.

30. There are many things that the United Nations can do to strengthen its financial system. One principle, however, remains fundamental:

> All countries must pay their assessed United Nations dues on time and in full. Countries with past arrears should pay them as quickly as possible. This responsibility is particularly great for the large contributors.

31. Payment of United Nations dues is the legal obligation of each Member State, enshrined in the United Nations Charter as a basic requirement of membership. 8/ Withholding contributions for any reason - even to force changes in the administrative and budgetary practices of the United Nations - simply cannot be justified, especially now that the General Assembly adopts budgets by consensus. If Governments are not willing to uphold their most basic contractual obligations under the Charter, they will inevitably undermine the role of the United Nations as a credible and effective guardian of lawful international order.

Payment schedule

32. Under Article 19 of the United Nations Charter any Member State that runs up arrears equal to two years' worth of dues payments can lose its vote in the General Assembly. The United Nations cash flow problem, however, is as much a result of late payment as it is of non-payment, and the United Nations has no way to deter Member States from paying their dues a few months or even a year past the deadline. The Organization should not be forced to wait until the final months of the year to receive the bulk of its annual income. Such financial uncertainty makes proper and systematic management of the United Nations almost impossible.

33. At the same time, it is also true that the United Nations does not need to receive all of its income for a given year in January. The United Nations spends money from its regular budget more or less steadily throughout the year, usually about $95 million each month. The Advisory Group therefore recommends:

> The United Nations should require its Member States to pay their dues in four quarterly instalments, instead of in a single lump sum at the beginning of the year.

Letters of assessment should be sent to Governments at the beginning of January, April, July and October, with quarterly payments due 30 days after each assessment.

In addition, the United Nations should be given authority to charge interest on late payments, under the new quarterly schedule, with such interest being deposited in the Working Capital Fund.

34. With a quarterly payment schedule, Member States that now pay late in the year could continue to pay a portion of their dues in April, July and October - legitimately and without penalty. Member States' annual dues would be broken up into smaller, more manageable portions, which could be made to fit more easily into their domestic budgetary cycles. Late instalments, however, would be subject to interest penalties, as they would be under any normal fiduciary relationship. Under this arrangement, Member States would be given a more flexible payment calendar, while the United Nations would be given the authority to encourage adherence to it.

35. The Advisory Group is aware that some Members now operate under appropriations cycles that make it difficult for them to make payments in the first months of the year. In the case of the United States, payments were shifted into a later fiscal year to achieve a temporary budgetary savings, at the expense of the basic treaty obligation to pay on time. The Advisory Group therefore recommends:

In order to meet their treaty obligations, countries that appropriate their United Nations contribution late in the year should appropriate their regular United Nations dues earlier than they do at present, if necessary phasing in this change over several years Cash flow problems.

36. Interest charges and a more flexible payment schedule will help guarantee timely payments, but even under the best arrangements cash flow problems are likely to arise. The Organization must, therefore, have some means at its disposal to pay its bills when assessed contributions to the regular budget fail to come in on time or if expenditures follow an uneven pattern. To begin with, the Advisory Group recommends:

When a reliable way to pay its bills is established, the United Nations should stop borrowing funds from its peace-keeping accounts to cover regular budget expenditures.

37. Peace-keeping missions are unpredictable and sometimes dangerous, and new crises that require a United Nations response can develop overnight and without warning. The United Nations can never know how much cash it can afford to borrow from peace-keeping at any given moment. In fact, there is probably no safe margin. Moreover, the United Nations should not be resorting to questionable forms of financial management to mask a cash shortfall that needs to be dealt with more directly.

38. The United Nations has always had a working Capital Fund designed to cover regular budget expenditures and limited emergency expenditures when contributions are late. Cash is borrowed from the Fund to pay the Organization's expenses, and returned as assessed dues are paid. The Fund was a part of the original financial arrangements of the United Nations, and was initially larger than the regular budget itself. Over the years its level was increased as the regular budget grew, with each increase funded by an additional assessment. The level of the Fund was last increased in 1982, to $100 million.

39. But the $100 million formally credited to the Working Capital Fund now exists only on paper, since its cash has been depleted to make up for Member State arrears. Under the current financial arrangements of the United Nations, the Fund can only be replenished in full when Member States pay all their past dues to the Organization.

40. These arrears must be paid. Even under the best circumstances, though, full repayment will take time, and the United Nations needs a functioning Working Capital Fund without delay. Its options, however, are limited because Member States that have traditionally paid their dues in full oppose a special assessment to replenish the Organization's reserves. They have good reason to do so. Such an assessment would represent a tax on the most responsible contributors to subsidize non-payment on the part of others.

41. Although such Governments may be justified in opposing an assessment to replenish the existing Working Capital Fund, they should not object to an assessment to increase its level. The Advisory Group therefore recommends:

> The level of the Working Capital Fund should be raised from $100 million to $200 million. The difference should be financed by a one-time assessment of $100 million.

Even if it were fully funded at current levels, the Working Capital Fund would be smaller today in proportion to the regular budget than at any point in the history of the United Nations. Raising it to $200 million would bring its authorized level up to about 20 per cent of the regular budget, without incurring justified opposition from Governments that have paid their dues responsibly over the years. It would also permit an immediate infusion of cash into the Fund, allowing the United Nations to overcome temporary cash flow problems.

42. As Member States pay their past dues, the original, depleted portion of the Working Capital Fund will be replenished as well. This would bring the total amount of cash in the Fund to the newly authorized level of $200 million. In addition:

> The United Nations should speed replenishment of its depleted reserves by depositing budgetary surpluses owed to those Member States with regular budget arrears into the Working Capital Fund.

These nations' arrears could then be reduced by a commensurate amount. Under the current Financial Regulations, surpluses are supposed to be returned to all Member States at the end of each biennium. This now applies even to those States that owe the United Nations money.

Borrowing

43. Both the current Secretary-General and his predecessor have proposed that the United Nations be permitted to borrow from commercial institutions or international lending agencies to meet its obligations when assessed contributions are late. The Advisory Group gave careful consideration to this proposal. It also explored various alternatives to normal commercial borrowing, including the possibility that Governments might provide lines of credit, based

on anticipated assessments, against which the United Nations could draw in times of need, or that the United Nations might borrow from banks against such a line of credit.

44. The United Nations, however, is not a commercial entity, nor can it be compared to a national government. Its ability to assess dues on Member States, and thus to receive the income it would need to repay the funds it borrows, depends in practice on the willingness of its Members to pay. The Organization's ability to borrow on the finest terms might, therefore, be limited. The firm commitments the United Nations would need from Member Governments to obtain credit would be difficult to get - probably as difficult, in fact, as the appropriations the United Nations must already seek to finance its annual budget.

45. On the other hand, if the United Nations did have easy access to credit, from international institutions or otherwise, this could well undermine its financial discipline. It might also give Governments an excuse to delay paying their dues. In short, borrowing authority would allow the United Nations and its Member States to avoid doing what they have to do to put the Organization on a solid financial footing.

46. The recommendations the Advisory Group has made thus far would, if adopted, permit the United Nations to meet its obligations without borrowing. With cash in its Working Capital Fund, for example, the United Nations could meet unforeseen expenses and make up for late payments without incurring a penny of interest. For these reasons, the Advisory Group recommends:

The United Nations should not be given authority to borrow.

Assessment formula

47. Changes in the regular budget assessment formula will not by themselves drastically increase or decrease United Nations revenues. They will merely shift the burden from some States to others. But if the responsibility for supporting the United Nations can be spread more fairly among its Members, it may become easier to ask them to pay more in the future.

48. The current assessment formula is based on a good approximation of Member States' capacity to pay, with one major exception: It does not generate fair rates of assessment for countries experiencing drastic economic changes. In particular, the new States of the former Soviet Union and some of the new democracies of East Central Europe argue, with some reason, that the rates at which they are assessed are too high.

49. Although other factors are taken into account, including per capita income and indebtedness, assessment rates are now based primarily on a 10-year average of Member States' GDP, converted into United States dollars at official exchange rates. The Russian rate, for example, is determined by Soviet economic statistics going back to the early 1980s, which do not reflect Russia's current economic circumstances. Moreover, they were converted into dollars at the old, official rouble exchange rate, which made the Soviet GDP appear bigger than it was.

50. Many other States have also gone through great changes in recent years. Most oil-producing States experienced a decline in GDP during the 1980s. Much of eastern Asia, on the other hand, enjoyed fast economic growth throughout the decade. In a rapidly changing world, the assessment formula should be modernized to ensure that it fairly reflects the ability of all nations to contribute to the expenses of the United Nations. The Advisory Group therefore recommends:

> The regular budget assessment rate should be based on a 3- rather than 10-year average of Member States' GDP.

51. This would result in a slightly lower rate of assessment for countries going through painful economic transformation, while redistributing the burden to nations with growing economies. The effect of this recommendation would, to some extent, be circumscribed by the scheme of limits, which prevents any Member State's rate of assessment from rising or falling too quickly. In the long run, the scheme of limits will have to be reviewed as well. No Government should be expected to pay any more, or permitted to pay any less, than its fair share of United Nations dues.

B. Peace-keeping

The nature and cost of peace-keeping

52. Peace-keeping is a difficult and sometimes dangerous enterprise that has become a central, indeed almost routine, United Nations activity. With a score of bloody conflicts around the world demanding attention, it has of late been a growing enterprise as well, costing the United Nations $1.4 billion in 1992. 9/ This figure has often been described as expensive. But peace is a bargain in relation to the alternatives, and peace-keeping will only succeed if the world's commitment to supporting it increases as quickly as the demand.

53. Two years ago, the United Nations had some 15,000 peace-keepers deployed around the world. Today it has nearly 55,000. Over the years, more than 800 have died in the line of duty, a reminder that the men and women who serve the United Nations are always vulnerable to the violence and disorder they are sent to control. Although this hazard cannot be avoided, the international community can and must ensure that these brave soldiers and civilians are not made more vulnerable by insufficient and unpredictable financing and support.

54. The nature of United Nations peace-keeping operations has evolved over the years to meet a new set of complex demands. Modern peace-keeping forces are not purely military in their composition or purpose. About one in four United Nations peace-keepers is now assigned to civilian or police work. Mission staff have observed elections, supervised government ministries, managed the return of refugees and the distribution of relief supplies, performed police duties and monitored adherence to human rights agreements.

55. Moreover peace-keepers do not, and in fact cannot, work solely with established Governments. United Nations forces have had to deal with dissident groups in Angola, Cambodia, Western Sahara and El Salvador, with different ethnic communities in the former Yugoslavia, and with clan leaders in Somalia.

They often operate in remote areas where sovereignty is uncertain and authority is non-existent.

56. The current mission in Cambodia is by far the most comprehensive and expensive the United Nations has yet undertaken. At a cost of $1.5 billion over two years, the United Nations has been called upon to supervise the administration of the entire country, organize elections, disarm three separate militias, clear innumerable minefields, and resettle a large displaced population. United Nations troops now patrol isolated banks of the Mekong River, watching over a land through which the armies of France, the United States, the Khmer Rouge and Viet Nam advanced and retreated in a quarter-century of constant struggle.

57. In 1992 almost half of the United Nations peace-keeping budget was devoted to Cambodia. In addition, some $250 million was spent on peace-keeping in the former Yugoslavia. Another $70 million was spent to monitor the peace agreement and election in Angola. An additional $35 million went to the mission in El Salvador. At least $200 million will be needed in 1993 for the Somalia operation. These five missions are indicative of the future of United Nations peace-keeping. They are field operations with both civilian and military components sent to accomplish a wide range of military, political and humanitarian tasks.

58. The probable need for all five missions should have been clear well in advance. In Cambodia, Angola and El Salvador peace-keepers were only sent after prolonged negotiation. In Yugoslavia and Somalia the warning signs of crisis were evident some time ago.

59. Today, the warning signs of future crises loom in many parts of the world, and they lead the Advisory Group to conclude that the scope and cost of United Nations peace-keeping could well expand. The Sudan, much like Somalia, continues to suffer from a frightening coincidence of violence and famine. Afghanistan and Liberia remain divided countries, torn apart by warfare. In what was Yugoslavia, civil war may yet spread to Kosovo and Macedonia. The situation in the Middle East is still unstable. In the former Soviet Union, there is fighting in Nagorny Karabakh, to which the United Nations has already sent observers, as well as in Central Asia. In Myanmar, formerly Burma, the world's longest running civil war fuels a growing refugee crisis. From Kashmir to Assam to Sri Lanka, violence surrounds the Indian subcontinent. And the fate of the Kurdish people, who have rarely known peace, is not yet settled.

60. The United Nations may become involved in any of these or in many other simmering conflicts. Greater United Nations involvement is especially likely if it gains a stronger mandate for humanitarian intervention, or if the Cambodia mission should become a model for future operations. Moreover, the experience of two recent missions suggests that, in the future, peace-keeping is likely to be more comprehensive in scope. In Namibia, in 1989, a force of 7,000 armed United Nations peace-keepers was able to ensure that all sides in that country's conflict adhered to a United Nations-sponsored peace agreement. In Angola, a contingent of only 400 unarmed monitors was recently unable to do the same.

61. This state of affairs raises many difficult questions for the Security Council. It is not always clear whether the United Nations should intervene in

a particular situation. Nor is it always certain if it can intervene effectively. But although the United Nations cannot respond to every demand, legitimate requests for United Nations action are likely to increase, and the Organization will need sufficient funds if it is to do its work well.

62. The alternatives are inaction in the face of widespread human suffering, or a series of interventions by single nations that would be just as expensive as United Nations peace-keeping, but far less acceptable and probably, in the long run, less effective,. Irrespective of the decisions taken in particular cases, the United Nations must by its very nature develop the capacity to respond to critical situations in all parts of the world when human decency demands it and there is no viable alternative.

63. The Advisory Group recommends:

> The international community should be prepared to accept significantly increased peace-keeping costs in the next few years.
>
> In addition, because peace-keeping is an investment in security, Governments should consider financing its future cost from their national defence budgets.

Financing peace-keeping operations

64. The United Nations assesses Member States separately for each individual peace-keeping operation (save the two funded by the regular budget, 10/ and Cyprus, which is funded by voluntary contributions). These assessments are generally made for periods of about six months, beginning and ending at different times during the year. Once received, the cash is deposited into separate accounts, outside the regular budget. (See table 3.) The process the United Nations must now go through to finance these operations was designed for a time when it ran far fewer peace-keeping missions at a time. Today, with 13 missions in the field, five of which began in 1992, the United Nations needs a process that is more effective and better suited to its increasingly operational role.

65. Few peace-keeping missions can begin in earnest immediately after the Security Council approves them. The Secretariat must first prepare a mission budget, which can take several weeks. It then submits it to the Advisory Committee on Administrative and Budgetary Questions for approval. Meanwhile, the United Nations cannot contract for equipment or services above a $3 million annual limit, for each operation, on the Secretary-General's "unforeseen and extraordinary" spending authority. This makes it difficult to mobilize troops and to move them to operational areas speedily.

66. The Advisory Committee on Administrative and Budgetary Questions normally takes less than a week to approve a mission budget; once it does, the United Nations can obligate funds up to an annual limit of $10 million per mission. When the budget is formally approved by the General Assembly's Fifth Committee, and then by the General Assembly, an assessment letter is sent to Member States and the United Nations can begin spending up to the full mission cost.

67. This system has many disadvantages. It is, first of all, extremely slow. Even after the budget is approved the United Nations must still wait for dues payments to come in, and, on average, only 36 per cent of peace-keeping dues are paid in the first three months of a mission. Financing delays can cripple new missions. The start-up phase of a peace-keeping operation is usually its most costly, as troops have to be airlifted and equipment needs to be bought. It is usually the most important, dangerous and unstable phase as well.

68. Each new peace-keeping mission is now started from scratch, and on a shoestring. The Secretary-General must, in effect, solicit contributions each time a mission is deployed or expanded. There is no common, ongoing, training programme, or adequate logistical infrastructure to support missions of such complexity and danger. The absence of proper financial arrangements also prevents the United Nations from maintaining sufficient stocks of equipment. Most missions begin with everything from jeeps to tents to communications gear in short supply.

69. The United Nations approved four large new missions in 1992, for Cambodia, Yugoslavia, Somalia and Mozambique, and these new obligations have placed great strain on the Organization's already limited operational capacity. When the Yugoslav mission had to be expanded to cover all of Bosnia and Herzegovina, the Secretary-General felt the United Nations was under such financial pressure that it could not pay for the quick deployment of needed troops from Western Europe. The European contingents therefore agreed to pay their own way. With individual units providing their own communications, premises and gasoline it has been far more difficult to organize a unified, well-coordinated force.

70. Because each mission is financed separately, Member States receive several peace-keeping assessment requests each year. These requests come at odd times, in the middle of budgetary cycles, and Governments often find it difficult to find the money without seeking special appropriations. The sheer frequency of requests creates an impression that United Nations peace-keeping is more expensive and burdensome than it really is. And because of the system's inherent uncertainty, the Secretary-General can never be sure how many new tasks and obligations the United Nations can afford to take on.

71. Thus far, the United Nations has coped with delays in financing peace-keeping by borrowing funds from long-standing peace-keeping accounts to pay the start-up costs for new missions. 11/ Whether consciously or unconsciously, the United Nations Secretariat seems to have overbudgeted for some peace-keeping missions so that some extra cash is available for other missions, and for the regular budget. Given the cash flow problems of the United Nations this is understandable. It is nevertheless undesirable. As a result, Member States have, quite properly begun to devote more scrutiny to peace-keeping budgets to ensure they do not exceed what is actually needed.

72. To address some of these problems, the United Nations General Assembly has recently approved a $150 million revolving fund for peace-keeping start-up costs. Of this amount, though, only $60 million in cash will be available immediately. The remainder is supposed to be covered by regular budget surpluses that the United Nations retained, and, in fact, spent, to make up for Member State arrears in the late 1980s. This money will only become available if and when Member States pay all their past arrears to the Organization. Cash

will be borrowed from this new fund to pay for initial deployment costs, and returned as Member States pay their dues for individual operations.

73. The revolving fund is a step in the right direction, but the $60 million it now provides will not be sufficient to meet projected needs. Peace-keeping costs already stand at $1.4 billion a year, and could easily increase in response to greater demands in the future. Under the best of circumstances, it is also possible that economic conditions will make it difficult for some Governments to pay their peace-keeping assessments in full. The Russian Federation, for example, has not paid assessments to any peace-keeping mission in over a year. 12/ If the United Nations fails to receive just 5 per cent of its two-year $1.5 billion Cambodia assessment, this alone will result in a $75 million deficit that could not be met by a $60 million revolving fund.

74. In light of this, the Advisory Group recommends:

The United Nations should establish a much larger revolving fund, set at $400 million, financed by three annual assessments.

75. This would permit the United Nations to fund the start-up costs of several large missions. Peace-keeping forces could be readied with proper logistical support, thorough communications and immediate airlift capacity, without having to wait for contributions to come in or to borrow from other accounts. With a sufficient cash reserve the United Nations would not have to build up each mission gradually, making sure at every turn that financing is available for the next expansion. Given the urgency, scope, danger and inherent unpredictability of peace-keeping, a fund of this size would be amply justified.

76. To provide additional support for peace-keeping,

The Advisory Group would also support a regular appropriation for peace-keeping training, at a level the United Nations considers appropriate to enable its staff and military contingents provided by Member States to deal with the increasingly complex duties they are assigned.

77. The United Nations has nearly 55,000 peace-keepers in the field, almost 15,000 of whom are civilians, but only 13 professional employees are assigned to its existing staff training programme. With a $3.8 million budget in 1992, this office was responsible for all aspects of staff training in the United Nations - not only in peace-keeping, but in foreign languages, personnel management and data processing as well.

78. Something more may be needed, however, if the United Nations is to make the vision that the Secretary-General set out in his report entitled "An Agenda for Peace" into a reality. The United Nations must have the standing capacity to mount and to manage a steadily growing number of complex peace-keeping operations. The United Nations is now running 13 separate missions with 13 budgets, supported by 10 assessments, voluntary contributions and regular budget revenue. There is no permanent, overall logistical and contingency planning infrastructure for managing operations and providing them with common services.

79. For these reasons:

The United Nations might consider the merits of a unified peace-keeping budget, financed by a single annual assessment.

80. Under a single budget, the United Nations would estimate peace-keeping costs for each coming year and submit a budget to the General Assembly for approval. The budget would include projections for the cost of ongoing peace-keeping missions. It would also include an unappropriated margin for new and unexpected missions. This amount would be large enough to cover the cost of at least one or two large operations, but it could not be drawn upon without Security Council approval and a normal appropriation. Individual peace-keeping operations would still retain separate line items in a single budget, but cash from the common pool of peace-keeping funds could be used to support the start-up costs of new operations.

81. Under such an arrangement the United Nations could programme costs that are common to all peace-keeping missions, such as training, communications and the maintenance of equipment stocks into a single budget. In addition, Member States would no longer be asked to fund individual operations at short notice throughout the year, but would, instead, be asked to commit resources to peace-keeping in advance. The United States Congress has already taken a step in this direction by appropriating a reserve pool of cash for unexpected peace-keeping missions in 1993.

82. If an annual budget estimate exceeded actual outlays, Member States would receive a credit against future assessments. If the annual estimates turned out to be too low, the United Nations could still go back to Member States to ask for a special assessment, the way it does now for each new mission.

83. One problem still remains, however: under the current financial rules the United Nations would be unable to obligate more than $3 million before a mission budget is approved by the Advisory Committee on Administrative and Budgetary Questions, or more than $10 million before it is approved by the General Assembly, even if it had the funds in reserve. The Advisory Group recommends, therefore:

The Secretary-General should be permitted to obligate up to 20 per cent of the initial estimated cost of a peace-keeping operation once it is approved by the Security Council.

84. This would enable the United Nations to begin deployment of large missions while their budgets are being approved by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly. It is not likely that the General Assembly would ever cut the Secretariat's proposed mission budget by anything approaching 80 per cent. The United Nations could safely spend 20 per cent even if the Secretariat's initial estimates turned out to be high.

Assessment formula

85. Contributions to peace-keeping are based on a formula that is based on the regular United Nations scale of assessments. The peace-keeping scale divides Member States into four categories. Group A comprises the five permanent Security Council members. Group B is made up of developed nations. Group C consists of economically less developed States, and Group D consists of least developed States.

86. Member States in Group B contribute to peace-keeping at the same rate that they contribute to the regular budget. Members of Group C contribute to peace-keeping at a rate of 20 per cent of their regular rate of assessment. Group D members are assessed at 10 per cent of their regular rate. Security Council members make up the difference, paying somewhat more than their regular rate: the United States, for example, is assessed for 25 per cent of the regular budget and for 30 per cent of peace-keeping.

87. In the past, questions have been raised about the composition of the C Group of less developed States, which includes a number of countries with above average per capita incomes. The Advisory Group recommends:

> All Member States with above average per capita incomes, except for the permanent members of the Security Council, should be included in the B Group of developed nations, which pay the same rate of assessment for both peace-keeping and the regular budget. This change should be phased in over several years.

88. This would have the effect of moving a number of countries from Group C to Group B, thus quintupling their peace-keeping assessments. The rates paid by the permanent members of the Security Council would drop slightly as a result.

C. Voluntary funding

89. Voluntary governmental contributions to United Nations agencies now exceed assessed contributions to the regular budget, which has not, in recent years, been allowed to grow faster than inflation. A few voluntarily funded United Nations agencies, including UNHCR and UNEP, receive a small portion of their funding from the regular assessed budget of the Organization, primarily to cover their administrative costs. The United Nations affiliated programmes, most notably UNDP, UNFPA and UNICEF, receive all of their funding from voluntary contributions. 13/ For the most part, the voluntarily funded programmes of the United Nations are involved in humanitarian or economic development work.

90. Donors who wish to support specific projects also contribute to some 136 special purpose trust funds. Trust funds are often created in the middle of a budgetary cycle, when the United Nations or one of its Member States wants to create a programme for which the General Assembly has not appropriated funds. Once created, though, trust funds often continue to exist for years, some functioning, others just accumulating interest.

91. The growth of voluntarily funded programmes in the United Nations has coincided with its transition from a mostly diplomatic to an increasingly

operational organization. Originally, mandatory contributions were meant to pay for the basic functions of the United Nations, such as maintaining a headquarters, staffing a secretariat, and facilitating the mediation of international disputes. Most operational activities, like sheltering refugees and financing development projects, were seen as voluntary activities, to which Member States could contribute if they chose.

92. In 1962 a decision by the International Court of Justice established that the operational costs of peace-keeping were regular expenses of the Organization. According to the Charter such expenses must be apportioned among Member States. As far as the budget is concerned, however, humanitarian relief and economic development are still not considered core United Nations activities. Thus, they continue to depend largely on voluntary contributions even though they have grown into the largest programmes of the United Nations.

93. The system of voluntary contributions allows Member States to give generously to those parts of the United Nations they consider most valuable. Many Members are clearly willing to contribute far more to the programmes they favour than any fair scale of assessment would require them to. Agencies like UNICEF and the World Food Programme probably receive much more money from voluntary donations than they would if they were financed through the regular assessed budget.

94. Still, the current system has a number of drawbacks. It makes it harder for the United Nations to set priorities and to control its agenda. In effect, large donors are able to set their own priorities by making voluntary contributions to particular programmes. Donors can also create their own programmes by endowing special purpose trust funds. In addition, Member States sometimes make their contributions in an ad hoc way, in response to well-publicized emergencies, while allowing more long-term needs to go unmet. Finally, voluntary funding mechanisms often create great uncertainty about future resource levels.

95. In general, the principle of voluntary contributions has great merit. The United Nations, however, should review its voluntarily funded programmes, especially those that are financed through trust funds, to eliminate unnecessary and duplicative expenditures. In addition, the Advisory Group recommends:

> In the interest of greater coordination and administrative responsibility, all United Nations programmes that are currently funded by voluntary contributions alone should have their administrative expenditures financed by assessed contributions.

96. Within the context of voluntary funding, there is still scope for greater certainty about resource levels and greater continuity from year to year. In this regard, the Advisory Group believes:

> The voluntarily funded agencies should seek a larger portion of their funding from multi-year, negotiated pledges.

The objective would be to foster a meaningful discussion of long-term programme activities and their relationship to available resources, as well as a negotiation of burden-sharing among donors.

D. Additional financing for the future

97. The Advisory Group has concentrated its attention on the most immediate needs of the United Nations. This is unavoidable. The most pressing financial questions before the United Nations involve paying the bills for ongoing operations and raising the funds to pay for its foreseeable obligations in peace-keeping, humanitarian relief and sustainable development. For now, these obligations can and must be financed by Governments.

98. But the current operations of the United Nations are still in many ways quite limited. It has been suggested that there may come a time when the United Nations will face exceptional needs that can only be met by exceptional means, when the level of expenditure for essential activities will force the United Nations to seek financial support from the private sector, and from individual citizens. Proponents of additional means of financing the United Nations have recommended levies on airline traffic and shipping, which have a stake in the maintenance of international peace, as well as taxes on arms sales and on the production of hydrocarbon fuels. Some have proposed the establishment of an international United Nations lottery, others an active campaign to encourage private donations to the Organization.

99. The Advisory Group nevertheless believes:

> Current proposals for additional, non-governmental sources of financing are neither practical nor desirable. For now, the system of assessed and voluntary contributions provides the most logical and appropriate means of financing the United Nations, as it permits and encourages Member Governments to maintain proper control over the United Nations budget and its agenda.

100. With the passage of time, as confidence in the effectiveness and efficiency of the United Nations grows, Governments might look more favourably on more direct means of financing some activities of the world Organization. In the longer run, the United Nations may be asked to assume much larger financial obligations in an area such as sustainable development. Those obligations could be of such magnitude that they could not easily be supported by its current financial arrangements. It would then be useful and timely to explore what alternatives might eventually prove feasible. The Group believes, however, that the future needs of the Organization can be met with assurance and foresight at this time without resort to new and inevitably controversial initiatives.

III. CONCLUSION AND SUMMARY OF RECOMMENDATIONS

101. The Advisory Group has tried to address the problem of the financing of the United Nations in a practical and realistic way. Our recommendations are intended to provide more consistent and reliable funding of United Nations activities in the interest of the effectiveness of the United Nations, and to facilitate the work of the Secretary-General. They are also intended to make it easier for Governments to meet their financial obligations to the United Nations.

102. We have been impressed in particular by the contrast between the demands placed on the United Nations and the smallness and precariousness of its financial base. Any great political institution has to develop with the times, and that development often causes growing pains. In the post-cold-war era, the United Nations is being asked to develop very fast and to take on vital responsibilities of a kind, and on a scale, undreamed of in its earlier years.

103. Many of the tasks the United Nations is now undertaking are pioneering efforts in new fields. They will set precedents for vital activities in the future. It is essential that the world Organization have the financial backing, as well as the administrative and operational capacity, to make these efforts successful and workable models for the difficult years to come.

104. The United Nations remains the only existing framework for building the institutions of a global society. While practising all the requisite managerial rigour and financial economy, it must have the resources - a pittance by comparison with our society's expenditures on arms or illicit drugs - to serve the great objectives that are set forth in its Charter. Surely the world is ready for, and urgently in need of, a more effective United Nations.

Recommendations

Regular United Nations budget

The division of United Nations expenditures into three categories - with the regular budget financed by assessed contributions, peace-keeping financed by a separate assessment, and humanitarian and development activities financed largely by voluntary contributions - is appropriate.

The consensus procedure for approving the regular budget should be continued in future years.

All countries must pay their assessed United Nations dues on time and in full. Countries with past arrears should pay them as quickly as possible. This responsibility is particularly great for the large contributors.

The United Nations should require its Member States to pay their dues in four quarterly instalments, instead of in a single lump sum at the beginning of the year.

The United Nations should be given authority to charge interest on late payments under the new quarterly schedule. Interest payments should be deposited in the Working Capital Fund.

In order to meet their treaty obligations, countries that appropriate their United Nations contribution late in the year should appropriate their regular United Nations dues earlier than they do at present, if necessary phasing this change in over several years.

When a reliable means to pay its bills is established, the United Nations should stop borrowing funds from its peace-keeping accounts to cover regular budget expenditures.

The level of the Working Capital Fund should be raised from $100 million to $200 million. The difference should be financed by a one-time assessment of $100 million.

The United Nations should speed replenishment of its depleted reserves by depositing budgetary surpluses owed to those Member States with arrears into the Working Capital Fund.

The United Nations should not be given authority to borrow.

The regular budget assessment scale should be based on a three- rather than 10-year average of Member States' GDP.

Peace-keeping

The international community should be prepared to accept significantly increased peace-keeping costs in the next few years.

Because peace-keeping is an investment in security, Governments should consider financing its future cost from their national defence budgets.

The United Nations should create a revolving reserve fund for peace-keeping set at $400 million, financed by three annual assessments.

The Advisory Group would support a regular appropriation for peace-keeping training, at a level the United Nations considers appropriate to enable its staff and military contingents provided by Member States to deal with the increasingly complex duties they are assigned.

The United Nations might consider the merits of a unified peace-keeping budget, financed by a single annual assessment.

The Secretary-General should be permitted to obligate up to 20 per cent of the estimated cost of a peace-keeping operation once it is approved by the Security Council.

All Member States with above average per capita incomes, except for the permanent members of the Security Council, should be included in Group B for the purposes of the peace-keeping assessment, under which they would pay the same rate of assessment for peace-keeping that they pay for the regular budget. This change should be phased in over several years.

Other issues

In the interest of greater coordination and administrative responsibility, all United Nations programmes that are currently funded by voluntary contributions alone should have their administrative expenditures financed by assessed contributions.

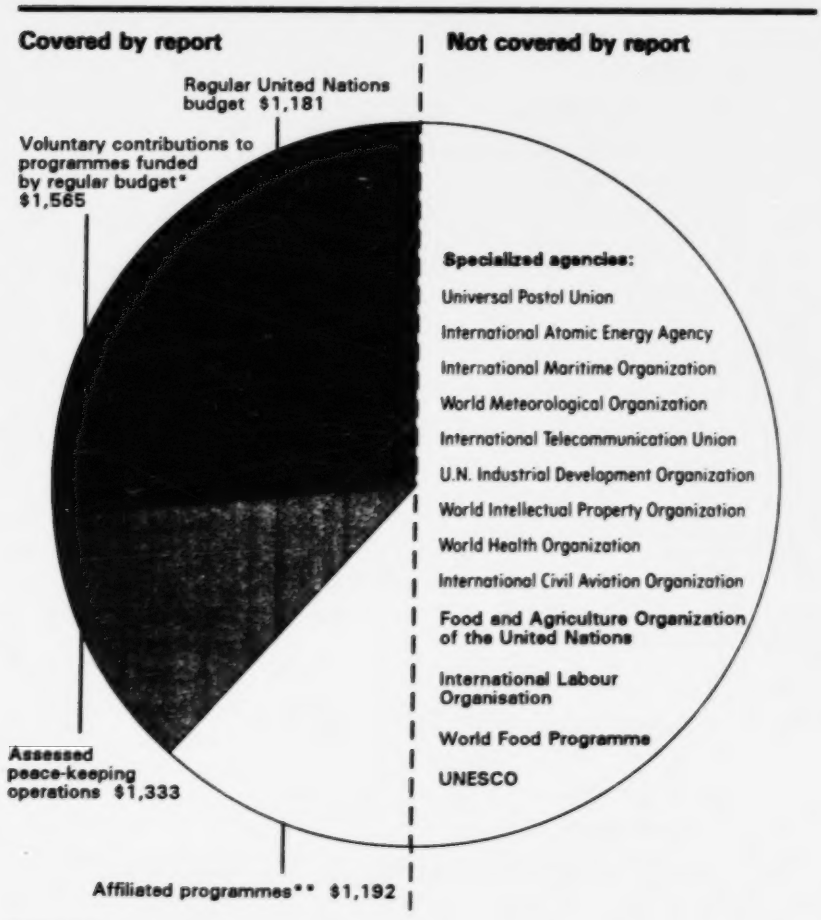
Voluntarily funded agencies should seek a larger portion of their funding from multi-year, negotiated pledges.

Current proposals for additional, non-governmental sources of financing the United Nations are neither practical nor desirable. For now, the system of assessed and voluntary contributions provides the most logical and appropriate means of financing the United Nations, as it permits Governments to maintain proper control over the budget of the United Nations and its agenda.

IV. FIGURES AND TABLES

Figure 1. United Nations system

(Budget figures are for 1992, shown in millions of US dollars)

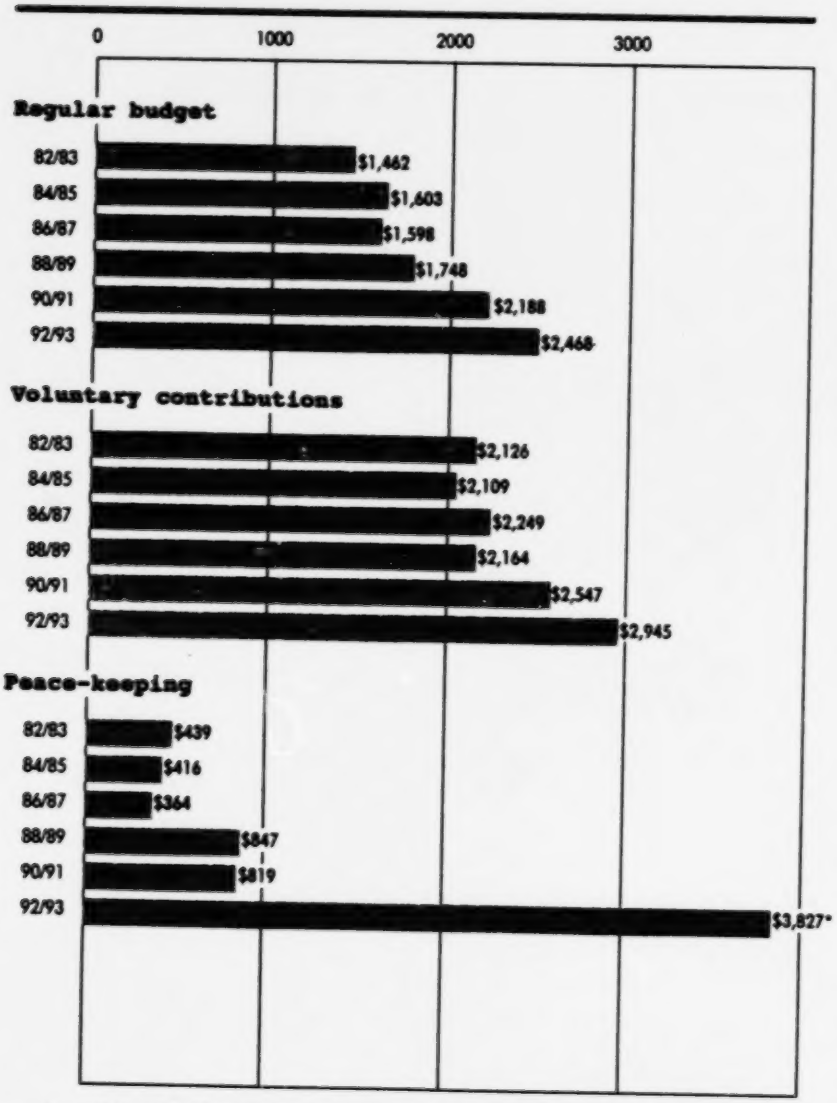


* Includes UNHCR, UNEP and technical cooperation programmes.

** Includes UNDP, UNICEF and UNFPA, but not funds which these agencies distribute to other United Nations agencies.

Figure 2. Growth in biennial United Nations expenditures, 1982/1983-1992/1993

(In millions of US dollars)



* The United Nations spent approximately $1.4 billion on peace-keeping in calendar year 1992. This figure is based on appropriations granted through December 1992 plus estimates for new activities projected for 1993.

Table 1. 1992 budget for the United Nations and its affiliated programmes, by source of financing

(In thousands of US dollars)

Programme	Regular budget	Peace-keeping assessment	Voluntary contributions	Total
United Nations				
Overall policy-making (includes Secretary-General and General Assembly)	17 931	0	1 801	19 732
Political and Security Council affairs	11 438	0	47	11 435
Peace-keeping operations	32 797	1 327 000 a/	30 800	1 390 597
Special political questions: Palestine, disarmament, decolonization and apartheid	21 482	0	12 671	34 153
International justice and law	24 519	83	1 494	26 096
Economic development	287 257	0	265 813	553 070
Environment and drugs	15 757	0	269 268	285 025
Human rights	12 109	0	6 200	18 309
Refugees and humanitarian relief	37 284	0	956 209	993 493
Public information	50 497	0	3 000	53 497
Administrative, conference and capital expenses	506 973	6 037	18 459	531 469
Staff assessment	163 447	0	0	163 447
Total expenditures	1 181 491	1 333 120	1 565 762	4 080 373
Affiliated programmes				
UNDP b/	0	0	241 000	241 000
UNFPA b/	0	0	55 305	55 305
UNICEF	0	0	896 000	896 000
Total, United Nations and affiliates	181 491	1 333 120	2 758 067	5 272 678

(Footnotes on following page)

(Footnotes to table 1)

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a/ This figure represents the approximate amount the United Nations actually spent on assessed peace-keeping missions in calendar year 1992. The amount for which the United Nations assessed Member States for peace-keeping in 1992 was slightly higher - about $1.54 billion.

b/ These figures represent only the core budgets of UNDP and UNFPA, which include projects executed by these agencies themselves. Most of UNDP's resources - which totalled approximately $1.5 billion in 1991 - and a portion of UNFPA's, are distributed to other United Nations programmes and to the specialized agencies.

Table 2. Peace-keeping missions: assessments in 1992 and estimated expenditures

(In millions of US dollars)

Mission	Authorization: assessment	1992 cost
United Nations Truce Supervision Organization in Palestine (Middle East)	Authorized in regular budget	25
United Nations Military Observer Group in Pakistan	Authorized in regular budget	6
United Nations Peace-keeping Force in Cyprus	Voluntary contributions	31
United Nations Observer Group in Central America (Nicaragua)	11/91-04/92: 12	7
United Nations Disengagement Observer Force (Golan Heights)	12/91-11/92: 35 12/92-05/93: 17	39
United Nations Interim Force in Lebanon	02/92-01/93: 144	153
United Nations Iraq-Kuwait Observation Mission	10/91-10/92: 60 11/92-04/93: 19	68
United Nations Angola Verification Mission II	01/92-10/92: 56 11/92-02/93: 25	67
United Nations Observer Mission in El Salvador	01/92-10/92: 36 11/92-02/93: 8	35
United Nations Mission for the Referendum in Western Sahara	Authorized 9/91; not yet fully operational	18
United Nations Protection Force (Yugoslavia)	01/92-10/92: 250 12/92-02/93: 298	222
United Nations Advance Mission in Cambodia	11/91-04/92: 33	20
United Nations Transitional Authority in Cambodia	05/92-10/92: 802 11/92-04/93: 313	637
United Nations Operation in Somalia	05/92-04/93: 108	39
United Nations Operation in Mozambique	To be authorized in March 1993 at estimated cost of over 200	-
Total		1 367

Table 3. Ratio of military expenditures to peace-keeping assessment, selected States, 1991

(In US dollars)

Country	Military spending	Peace-keeping assessment	Ratio
Permanent members of the Security Council			
Russian Federation	224.1 billion	60 343 900	3,714 to 1
China	12.0 billion	4 762 700	2,520 to 1
United States of America	304.5 billion	151 031 600	2,016 to 1
United Kingdom of Great Britain and Northern Ireland	42.3 billion	29 361 800	1,441 to 1
France	41.4 billion	37 757 900	1,096 to 1
NATO			
Turkey	5.0 billion	314 240	15,911 to 1
Italy	23.6 billion	19 590 900	1,204 to 1
Spain	9.0 billion	9 574 500	944 to 1
Germany	39.9 billion	45 957 600	868 to 1
Canada	12.1 billion	15 171 900	798 to 1
Other Europe			
Poland	2.2 billion	549 920	4,001 to 1
Sweden	5.5 billion	5 941 100	926 to 1
Ireland	588 million	883 800	665 to 1
Czechoslovakia	723 million	3 240 600	223 to 1
Middle East			
Syrian Arab Republic	4.5 billion	39 280	114,562 to 1
Iraq	12.8 billion	117 840	108,622 to 1
Oman	1.4 billion	19 640	71,283 to 1
Israel	4.5 billion	206 220	21,821 to 1
Saudi Arabia a/ b/	15.2 billion	1 002 640	15,204 to 1
United Arab Emirates	1.6 billion	186 580	8,760 to 1
South Asia			
Bangladesh	301 million	4 910	61,303 to 1
Pakistan	2.8 billion	58 920	47,522 to 1
Sri Lanka	419 million	9 820	42 668 to 1
India	7.2 billion	363 340	19,816 to 1

Country	Military spending	Peace-keeping assessment	Ratio
East Asia/Pacific			
Myanmar	796 million	4 910	162,118 to 1
Thailand	2.9 billion	98 200	29,532 to 1
Singapore	2.1 billion	108 020	19,441 to 1
South Korea	9.8 billion	677 580	14,463 to 1
Indonesia	1.9 billion	147 300	12,899 to 1
Australia	7.3 billion	7 708 700	947 to 1
Japan	32.1 billion	55 875 800	574 to 1
Africa			
Ethiopia b/	896 million	4 910	182,485 to 1
Sudan	828 million	4 910	168,635 to 1
Angola b/	703 million	4 910	143,177 to 1
Zimbabwe	292 million	4 910	59,470 to 1
Morocco	1.2 billion	39 280	30,550 to 1
Kenya	191 million	9 820	19,439 to 1
Nigeria	234 million	196 400	1,191 to 1
Latin America			
Honduras	412 million	9 820	41,955 to 1
Cuba	2.2 billion	88 380	24,839 to 1
Chile	1.4 billion	78 560	17,821 to 1
Brazil b/	4.9 billion	1 423 900	3,441 to 1
Costa Rica	19 million	19 640	967 to 1
Mexico	662 million	923 080	717 to 1
World total	921.5 billion	491 000 000	1,877 to 1

Note: Ratios for 1992 would be significantly lower, since peace-keeping costs were about two and a half times higher than in 1991.

Sources: Military spending figures are derived from estimates published in the SIPRI (Stockholm International Peace Research Institute) Yearbook 1992, and converted into United States dollars according to exchange rates listed in the 1992 IMF International Financial Statistics Yearbook. It should be noted that military expenditures are difficult to measure with absolute precision. The purpose of this table is to compare orders of magnitude, in order to demonstrate the enormous disparity between military expenditures and the cost of peace-keeping.

(Footnotes on following page)

(Footnotes to table 3)

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a/ This figure may be higher than average due to increased expenditures during the Gulf war.

b/ Denotes military spending figures are from 1990.

Notes

1/ A/47/277-S/24111, para. 69.

2/ This figure includes the regular United Nations budget, peace-keeping, and voluntary contributions to the United Nations as well as to UNICEF, UNDP AND UNFPA.

3/ This represents half of the 1992-1993 biennial appropriations.

4/ The top 15 contributors to the United Nations finance about 84 per cent of its regular budget.

5/ As of 31 December 1992, Member States also owed the United Nations $765 million in peace-keeping arrears. As with the regular budget, the United Nations requires Governments to pay their peace-keeping dues within 30 days after they receive an assessment; any contributions that have not come in by this deadline are counted as arrears.

6/ Minus about $10 million withheld annually from two programmes of which the United States continues to disapprove: the Office for Ocean Affairs and the Law of the Sea, and the Division for Palestinian Rights.

7/ When Member States pay their arrears, a portion of this amount will, in fact, still be retained by the United Nations in a peace-keeping reserve fund recently created by the General Assembly.

8/ Art. 17, sect. 2, of the Charter states: "The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly."

9/ This figure represents the actual cost of the various United Nations peace-keeping missions in calendar year 1992. In its reports, the United Nations often refers to what it calls the "annualized" cost of its peace-keeping operations, which currently stands at about $2.6 billion. The annualized cost is an estimate of what it would cost to run each individual mission for a 12-month period. United Nations peace-keeping missions are often authorized for irregular periods and begin at various months throughout the year. For UNOSOM in Somalia, for example, the annualized cost would count budgeted expenditures from April 1992 through April 1993, only a small portion of which were spent in calendar year 1992.

10/ UNTSO in the Middle East and UNMOGIP in Kashmir.

11/ The initial effort in Somalia was also supported by cash drawn from a small trust fund held by the Secretary-General.

12/ Russia's peace-keeping assessments in 1992 totalled $175 million, none of which had been paid as of 31 December 1992.

13/ Because a portion of their budgets are financed from the United Nations regular budget, agencies like UNHCR and UNEP come under the authority of the General Assembly. The affiliated programmes are not coordinated by the General Assembly, but, unlike the independent specialized agencies, their governing boards are appointed by the United Nations Economic and Social Council and their executive heads are appointed by the Secretary-General.

APPENDIX

Members of the Advisory Group

Shijuro Ogata, Co-Chairman, served for more than 30 years in the Bank of Japan, where he was Deputy Governor for International Relations from 1984 to 1986. He was Deputy Governor of the Japan Development Bank from 1986 to 1991.

Paul Volcker, Co-Chairman, is Chairman of James D. Wolfensohn, Inc. From 1979 to 1987 he was Chairman of the Board of Governors of the United States Federal Reserve Bank.

Abdul Aziz Al-Quraishi was Governor of the Saudi Arabian Monetary Agency from 1974 to 1983. He is currently Vice Chairman of the Saudi International Bank, London.

Raymond Barre was Prime Minister of France from 1978 to 1981 and Minister of Economy and Finance from 1976 to 1978.

Pehr Gyllenhammar is Executive Chairman of AB Volvo. He was Chairman and Chief Executive Officer of Volvo from 1983 to 1990.

Olusegun Obasanjo was President of Nigeria from 1976 to 1979. He is Chairman of the Africa Leadership Forum and Foundation and a member of the Board of Trustees of the Ford Foundation.

I. G. Patel was Governor of the Reserve Bank of India from 1972 to 1977 and Director of the London School of Economics from 1984 to 1989.

Karl Otto Pöhl was President of the German Federal Bank from 1980 to 1991 and Chairman of the Group of 10 Central Bank Governors from 1983 to 1989.

David Scholey is Chairman of the S. G. Warburg Group and has been a Director of the Bank of England since 1981.

Stanislav Shatalin is a member of the Russian Academy of Sciences and was author in 1990 of the 500-day plan to establish a market economy in the former Soviet Union.

Jesus Silva Herzog is the Mexican Ambassador to Spain. He served as Finance Minister of Mexico from 1982 to 1986.

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IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Note by the Secretary-General

Financing an effective United Nations

Corrigendum

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(a) In paragraph 35, the last line should read phasing in this change over several years.

(b) Before paragraph 36 insert a subheading reading Cash flow problems

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